

## Message Text

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ACTION NEA-10

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FM AMEMBASSY DAMASCUS

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INFO USDOC WASHDC

AMEMBASSY AMMAN  
AMEMBASSY ATHENS  
AMEMBASSY CAIRO  
AMEMBASSY JIDDA  
AMEMBASSY KUWAIT  
AMEMBASSY TEHRAN  
AMEMBASSY MANAMA  
AMEMBASSY ABU DHABI  
AMEMBASSY BEIRUT

LIMITED OFFICIAL USE DAMASCUS 5243

COMMERCE FOR CAGNE

ATHENS FOR RTDO

E.O. 11652: N/A

TAGS: BBSR, SY

SUBJECT: NO RED CARPET FOR US REGIONAL BUSINESS  
OFFICES IN DAMASCUS

BEGIN UNCLASSIFIED

1. SUMMARY: SYRIA IS NOT DISPOSED TO OFFER SPECIAL INCENTIVES  
TO FOREIGN REGIONAL BUSINESS OFFICES SEEKING NEW LOCATIONS IN  
WAKE OF BEIRUT FIGHTING. REASONS VARY, INCLUDING ALREADY  
OVERTAXES SYRIAN SERVICES, DESIRE NOT TO ADD TO LEBANESE  
DECLINE, AND WISH TO PRESERVE "SOCIALIST" CHARACTER OF SYRIAN  
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ECONOMY. END SUMMARY.

2. AT LEAST TWO MIDDLE EAST MANAGERS OF US FIRMS HAVE RECENTLY VISITED SYRIA INVESTIGATING POSSIBILITY OF DAMASCUS AS REPLACEMENT OF BEIRUT AS SITE OF REGIONAL CORPORATE HEAD-QUARTERS. EMBASSY COMMERCIAL OFFICER FOLLOWED UP THESE VISITS WITH CALLS ON DEPUTY MINISTER OF ECONOMY, GENERAL DIRECTOR OF CHAMBER OF COMMERCE, AND DEPUTY GENERAL DIRECTOR OF COMMERCIAL BANK, TO ASCERTAIN SARG POLICY TOWARD SUCH POSSIBLE RELOCATIONS.

3. ALL OF THESE OFFICIALS AGREE THAT SARG IS UNLIKELY TO PROMULGATE NEW LAWS OR DECREES SUCH AS JORDAN'S TEMPORARY LAW NO. 46 (AMMAN A-122) OFFERING INCOME TAX, LICENSE, AND CUSTOMS EXEMPTIONS AND OTHER PRIVILEGES TO FOREIGN REGIONAL BUSINESS OFFICES.

(SARG MINECON IMADI MADE SIMILAR COMMENT TO ECONOFF IN RESPONSE TO QUIRY ON NOV. 23.) ALL STRESSED SYRIA'S PRIMARY ECONOMIC OBJECTIVE WAS HER OWN DEVELOPMENT. DEPUTY MINISTER OF ECONOMY AZMEH TOOK HIGH ROAD: SYRIA, HE SAID, WISHES TO AMELIORATE SUFFERING IN LEBANON; A LAW TO ATTRACT FOREIGN BUSINESS TO QUIT BEIRUT FOR DAMASCUS WOULD BE CONTRIBUTING TO THE DEATH OF HER NEIGHBOR. ALL SAID THAT SARG MONOPOLY OF BANKING AND SYRIA'S ALREADY STRAINED COMMUNICATIONS, SERVICES, HOUSING, ETC., WOULD MAKE DAMASCUS AN UNLIKELY SITE FOR US REGIONAL BUSINESS HEADQUARTERS.

4. EACH OF THESE OFFICIALS EMPHASIZED THAT US FIRMS WERE VERY WELCOME TO ESTABLISH BRANCHES AND/OR AGENCIES IN DAMASCUS IN ORDER TO DO BUSINESS IN SYRIA ITSELF

(AS OPPOSED TO REGIONAL OFFICES FOR CONDUCTING MIDDLE-EAST-WIDE OPERATIONS.) REGULATIONS FOR ESTABLISHMENT OF SUCH OFFICES ARE SET DOWN IN EXISTING LEGISLATIVE DECREES. ONLY TWO US FIRMS --TRIPCO PETROLEUM AND ARTHUR YOUNG & COMPANY--

AT PRESENT HAVE BRANCH OFFICES IN DAMASCUS STAFFED BY US PERSONNEL; BOTH FIRMS OPENED OFFICES HERE TO FACILITATE EXECUTION OF SPECIFIC PROJECTS WITH SARG. A THIRD US COMPANY-- NATIONAL CASH REGISTER--HAS A DAMASCUS BRANCH WITH AN ALL-SYRIAN STAFF. OTHER US FIRMS DOING BUSINESS IN SYRIA OPERATE THROUGH LOCAL AGENTS. WE THINK IT UNLIKELY THAT NUMBER OF US BRANCH OFFICES IN SYRIA WILL EXPAND GREATLY; THOSE THAT WILL BE ESTABLISHED WILL PROBABLY BE TIED TO SPECIFIC PROJECTS (E.G.: LIMITED OFFICIAL USE

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US ENGINEERING FIRMS SELECTED BY SARG TO WORK ON AID-FINANCED FIGEH WATER PROJECT, POSSIBLE BOEING TEMPORARY OFFICE FROM WHICH TO SERVICE ITS AIRCRAFT RECENTLY SOLD TO SYRIAN ARAB AIRLINES, AND MANAGEMENT STAFF FOR NEW, INTERNATIONAL CLASS HOTELS). END UNCLASSIFIED

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5. COMMENT: SARG POLICY OF NOT ENCOURAGING US REGIONAL BUSINESS OFFICE IS CONSISTENT WITH ITS OWN BRAND OF SOCIALISM. SYRIAN ECONOMY HAS MANY SOCIALIST CHARACTERISTICS (CENTRAL PLANNING, STRICT EXPORT/IMPORT CONTROLS, GOVERNMENT MONOPOLY OF BANKING, HEAVY INDUSTRY, TELECOMMUNICATIONS, ETC.), BUT AT SAME TIME RETAINS AREAS OF STRONG CAPITALIST PARTICIPATION (RETAILING, REAL ESTATE, CONSTRUCTION, AND MUCH OF TRANSPORTATION AND AGRICULTURE SECTORS.) SARG WANTS OFFICIAL US ASSISTANCE AND EXPERTISE FOR ECONOMIC DEVELOPMENT, BUT ALWAYS ON ITS OWN TERMS AND UNDER STRICT CONTROL. STRONG SYRIAN PUBLIC AND PRIVATE SECTOR DESIRE FOR US GOODS AND EQUIPMENT IS VERY EVIDENT; E.G. QUADRUPLING OF US SALES TO SYRIA IN 1975, SYRIAN BID TO ATTRACT US OIL COMPANIES. BUT SYRIA'S ECONOMIC OPENING TO THE WEST SINCE 1974, AGAINST OPPOSITION OF LOCAL COMMUNISTS AND THOSE BAATHISTS WHO HAVE SOVIET-ORIENTATION, CAN ONLY BE SUSTAINED IF IT PAYS OFF IN ACCELERATED ECONOMIC DEVELOPMENT. FOLLOWING JORDANIAN LEAD AND INVITING US MIDDLE EAST BUSINESS HEADQUARTERS TO LOCATE IN DAMASCUS WOULD RESULT IN INCREASED US PRESENCE WITHOUT OFFSETTING ECONOMIC DEVELOPMENTAL DIVIDENDS FOR SYRIA, THUS PROVIDING AMMUNITION FOR REGIME'S CRITICS.

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MURPHY

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